S. HRG. 99-117

NOMINATIONS OF LEE L. VERSTANDIG, GLENN R. WILSON, JR., AND THOMAS G. MOORE

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

THE NOMINATIONS OF LEE L. VERSTANDIG, TO BE UNDER SECRETARY OF THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; GLENN R. WILSON, JR., TO BE PRESIDENT OF THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION; AND THOMAS G. MOORE, TO BE A MEMBER OF THE COUNCIL OF ECONOMIC ADVISERS

JUNE 14, 1985

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Committee on Banking, Housing, and Urban Affairs

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NOMINATIONS OF LEE L. VERSTANDIG TO BE UNDER SECRETARY OF HOUSING AND URBAN DEVELOPMENT; GLENN R. WILSON, JR. TO BE PRESIDENT OF THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, AND THOMAS G. MOORE TO BE A MEMBER OF THE COUNCIL OF ECONOMIC ADVISERS

FRIDAY, JUNE 14, 1985

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 9:20 a.m., pursuant to notice, in room SD-538, Dirksen Senate Office Building, Senator Jake Garn (chairman of the committee) presiding.

Present: Senators Garn, Gorton, Mattingly, and Proxmire.

Also present: Senators Chafee, Exon, and Zorinsky.

OPENING STATEMENT OF CHAIRMAN GARN

The CHAIRMAN. The committee will come to order.

The purpose of this morning's hearing is to consider the nomination of Mr. Lee Verstandig to be Under Secretary of Housing and Urban Development, Thomas Moore to be a member of the Council of Economic Advisers, and Glenn Wilson to be President of the Government National Mortgage Association.

Because of the time constraints on my friend and colleague from Rhode Island, we will start with no further ado.

OPENING STATEMENT OF SENATOR CHAFEE

Senator CHAFEE. First, I want to thank you very much for starting this hearing a little early so I could catch a plane home, and I am very grateful to you for doing that. As always, you are extremely accommodating to your colleagues.

Mr. Chairman, I wish to introduce to you and to the committee Dr. Lee Verstandig, whom I have known for I suppose 20 years. He is a graduate of Franklin and Marshall College where he received his undergraduate education, then he went to the University of Tennessee for an M.A. and received a Ph.D. in 1970 from Brown University.

He served as a dean at the university, associate dean of academic affairs and dean of political affairs for special studies. He taught at Roger Williams College.

When I was elected in 1976, he came down as my administrative assistant and worked with me for several years. In 1981 he went to work for the administration and he has held a series of responsible positions there.

His present job is assistant to the President for intergovernmental affairs. Previously he took over the EPA when it had an emergency there as Acting Administrator. Prior to that he was Assistant Secretary for Governmental Affairs at the Department of Transportation. He also served as a member of the Board of Directors of Amtrak.

So, as you can see, Mr. Chairman, Lee has had a wide variety of governmental experiences and now he is the nominee for this position as Under Secretary of HUD.

I heartily commend him to you and to the committee, Mr. Chairman, and am confident that the President has made a fine selection that is in the good, not only of the administration, but of the Nation as well.

Thank you.

The CHAIRMAN. Well, I thank you, Senator, for your willingness to be here this morning. I am afraid, I must admit for the record, I start with a considerable bias and share everything you have said about Lee. You have understated the case.

It is a motherhood hearing this morning, Lee. We are going through the formality and everybody knows that, as far as I am concerned anyway, my feelings for you. So I might as well be honest about it and put it in the record at the outset.

We will release you to catch your plane.

Senator CHAFEE. Thank you very much, Mr. Chairman. I appreciate it.

The CHAIRMAN. I would ask unanimous consent, and I see no one else here to object, Senator Hawkins has a statement in support of your nomination, Mr. Verstandig, that she wishes put in the record, plus a series of additional letters of support, including the Governor of Illinois and others, and I would ask unanimous consent that those letters of support be placed in the record.

STATEMENT OF SENATOR HAWKINS

Senator HAWKINS. Mr. Chairman, thank you for the opportunity to address the committee as you consider the President's nomination of Lee Verstandig to be Under Secretary of Housing and Urban Development. Although Lee is not from my State, I am compelled to comment on his nomination because of the tremendous importance of the position to the administration's agenda for the Department of Housing and Urban Development and to the urgent needs of my State.

Lee Verstandig needs no introduction in the Senate. I know that he is a familiar and trusted friend to many Members of this body. And because of his years of service in the Senate, Lee understands the needs of a Senator trying to solve a housing problem at the 11th hour. His experience on the firing line in the Senate also gives Lee a hands-on understanding of the legislative process and a sensitivity to the policymaking role of the Congress that is rare among political appointees.

During his tenure in the administration Mr. Verstandig distinguished himself as Assistant Secretary for Governmental Affairs at the Department of Transportation, capably serving the administration and remaining responsive to the needs of Congress.

Because of his excellent reputation, his record and his abilities, Lee was called upon to take over the difficult situation at EPA when Mrs. Burford resigned, until a new Administrator could be found. I don't think anyone could have handled that situation better.

Perhaps it was Lee's mistake to acquire a reputation as a troubleshooter because I know that he'll never get a rest. But I also know that the President has every confidence in Lee and as a result has asked him to take the hot seat at HUD. As Under Secretary, Lee will be fielding the calls from concerned Senators whose projects were not funded and Lee will be doing the leg work on the Hill to hustle up support for President Reagan's legislative priorities. Those are two full-time jobs.

As a long-time supporter of the President's Urban Enterprise Zone Act, I believe that one of the Under Secretary's most important jobs will be in working with the members of this committee for passage of this legislation. In Florida the potential for economic growth and job creation through enterprise zones is tremendous. The city of Tampa has already established its own zone and has seen a strong response from business. In fact, crime in the zone has been dramatically reduced and the area, which was once considered a slum, is becoming a tourist attraction. If Tampa's zone were coupled with a Federal enterprise zone the results would be truly astounding.

There is tremendous opportunity for Lee in coming years to continue the administration's excellent performance in increasing housing opportunities for our disadvantaged citizens and in revitalizing our decaying inner cities. I am excited at the prospects for economic growth and a job market that is expanded to encompass our chronically unemployed in even the most blighted areas. With a doctorate in economics Lee is extremely well equipped to make the best use of existing development programs and to help us develop even better programs as we strive for full employment.

In Lee Verstandig we have a man of integrity and ability and a person whom I know will always treat others fairly. Mr. Chairman, I strongly support President Reagan's nomination of Lee Verstandig to be Under Secretary of Housing and Urban Development and I urge the committee's favorable consideration of Mr. Verstandig's nomination.

Thank you again for this opportunity to support Mr. Verstandig's nomination.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
SPRINGFIELD 62706

JAMES R. THOMPSON
GOVERNOR

June 4, 1985

Honorable Jake Garn
U. S. Senate
505 SDOB
Washington, D.C. 20510

Dear Senator Garn:

I am happy to endorse Lee Verstandig for the position of Undersecretary of the Department of Housing and Urban Development.

I realize Lee's nomination requires the consent of the United States Senate and hope that a man of his caliber will be quickly confirmed.

Lee Verstandig has had an outstanding career in public service including critical positions at the Department of Transportation, Environmental Protection Agency and The White House.

His dedication and enthusiasm combined with his wide and varied experience have earned him the public trust.

I know you will agree with me that this is the kind of man we want to encourage to remain in public service. Therefore, I ask that you give his confirmation your favorable consideration.

Sincerely,

James R. Thompson
GOVERNOR

COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

1985 JUN 13 AM 10 20

THE GOVERNOR

June 10, 1985

Honorable Jake Garn
Chairman
U.S. Senate Committee on
Banking, Housing and Urban Affairs
505 Senate Dirksen Office Building
Washington, D.C. 20510

Dear Senator Garn:

I understand that your committee will be holding a hearing shortly on the nomination of Lee Verstandig to be Undersecretary of the Department of Housing and Urban Development (HUD).

I have worked with Lee over the past several years in his capacity as Assistant to the President for Intergovernmental Affairs and as a member of the Advisory Commission on Intergovernmental Relations, upon which he served as well.

Lee has consistently executed his responsibilities with great enthusiasm and competence. He has worked very effectively with the governors and many local officials in those areas, as well. He has displayed a solid grasp of urban and economic development issues.

I am confident that Lee would make a very substantial contribution to HUD and was very pleased by this appointment. I very much hope that you and the Committee will act favorably upon it.

Please feel free to share my views on this appointment with your Committee colleagues and make them part of the record should you deem it appropriate. I certainly appreciate your consideration in this matter.

Best wishes,

Dick Thornburgh
Governor

Shelby County Government

1985 JUN 10 PM 5:5[illegible]

William N. Morris, Jr., Mayor

June 6, 1985

Senator Jake Garn, Chairman
Banking, Housing and Urban Affairs Committee
SD-505 Dirksen Senate Office Bldg.
Washington, D. C. 20510

Dear Senator Garn:

It is a pleasure for me to contact you in support of the confirmation of Mr. Lee Verstandig as Under Secretary of the Department of Housing and Urban Development. In recent years, I have worked with Mr. Verstandig on a regular basis as he pursued his interests in strengthening ties between federal and local governments. I can personally attest to his responsiveness, his dedication and his uncommon concern for others. In my seven years as mayor, I have never dealt with a White House official more capable, more talented and more committed. I have no doubts that these characteristics would again be present in his work in his nominated post and I am proud to urge his swift confirmation.

Sincerely,

William N. Morris, Jr.
Shelby County Mayor

WNM;jr/kw

COLUMBUS, OHIO DANA G. RINEHART, MAYOR

June 11, 1985

The Honorable Jake Garn
U. S. Senator
Dirksen Senate Office Building
Room 505
Washington, D.C. 20510

Dear Senator Garn:

Soon to come before the Senate Banking Housing and Urban Affairs Committee will be the consideration of the confirmation of Lee Verstandig as Under Secretary of Housing and Urban Development.

I would like to strongly recommend your favorable action on this confirmation. This country can do no better than to secure the talent and ingenuity of Lee in this very important position.

As Mayor of the 19th largest city in the nation and Ohio's Capitol City, I have had the opportunity to work with Lee both during his tenure at the White House as Assistant to the President for Intergovernmental Affairs and while he has been at HUD as Acting Under Secretary. His attention to detail is well known among his colleagues, but his dedicated concern for local governments in this nation will help us strengthen the bonds of cooperation between cities and states and the federal government.

Lee's credentials are outstanding. As a former Professor and Academic Dean at Brown University, former Administrative Assistant to Senator John H. Chafee and former Assistant

Secretary for Governmental Affairs at Transportation, he will bring to this new position the finely tuned skills and experience this country needs. I am confident that I speak for the vast majority of my colleagues in heartily recommending swift confirmation of Lee as Undersecretary of HUD.

Thank you very much.

Sincerely,

Dana G. Rinehart

DGR:sls

National Association of Home Builders
15th and M Streets, N.W., Washington, D.C. 20005
Telex 89-2600 (202) 822-0400 (800) 368-5242

John J. Koelemij
1985 President

June 13, 1985

The Honorable Jake Garn
United States Senate
Washington, D.C. 20510

Dear Senator Garn:

On behalf of the more than 133,000 members of the National Association of Home Builders (NAHB) I would like to wholeheartedly endorse the nomination of Lee L. Verstandig for Under Secretary of the Department of Housing and Urban Development.

Mr. Verstandig's background as Assistant to the President for Intergovernmental Affairs will serve him well in this position and we look forward to working closely with him.

I believe that both Mr. Verstandig's business experience and political expertise make him an excellent candidate for the position of Under Secretary of the Department of Housing and Urban Development.

I would appreciate if this letter would be made a part of the hearing record.

Sincerely,

John J. Koelemij
President

The CHAIRMAN. Senator Mattingly.

OPENING STATEMENT OF SENATOR MATTINGLY

Senator MATTINGLY. Thank you, Mr. Chairman.

I would like to make a brief comment about Mr. Verstandig, a gentleman that I have known for several years now. There are many adjectives used to describe the personal and professional qualities one needs to be a successful appointee within the administration. Someone earlier mentioned the word responsive and that's what I think Lee has been. He is probably the most responsive person I have dealt with in the administration.

He is an outstanding person and he is very capable. I would say that Lee Verstandig represents quality, and I think that is what we need in political appointees.

I welcome not only him to this new post in the administration, but his wife Tony, as well. Together they are an excellent team.

Lee, keep up the good work and you will not only end up being an outstanding Under Secretary of HUD, but I think you will probably be one of the most outstanding members of the administration.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator.

Mr. Verstandig, I understand you have an opening statement, and if you would like to proceed at this time.

STATEMENT OF LEE L. VERSTANDIG, UNDER SECRETARY-DESIGNATE, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. VERSTANDIG. Thank you, Senator, very much. I appreciate——

The CHAIRMAN. Well, let me do something else here with no one around me to offer statements and to gather my thoughts together. Maybe I could have all three of you stand and be sworn at the same time before we proceed.

[Lee Verstandig, Thomas Moore, and Glenn Wilson were duly sworn by the chairman.]

Mr. VERSTANDIG. Mr. Chairman, I just wanted to again express my sincere appreciation to Senator Chafee for taking the time from his busy schedule to come before the committee and introduce me. As he said, he is an old friend and colleague and someone with whom I have worked for many years in Rhode Island and on the Hill. We have maintained a fine long-standing working relationship.

Mr. Chairman, I would like to just share with the committee some of my thoughts and observations in a brief opening statement as the committee considers me for this position.

As I am sure you know, it is indeed a real privilege for me to appear before you and the committee this morning as the President's designee to be the Under Secretary of Housing and Urban Development.

I am indeed deeply honored that the President has asked me to serve again in another capacity in his administration, and if indeed confirmed, I will dedicate myself and my energies and resources to

fulfilling the missions, not only of HUD, but also the President's goals and objectives.

And I also appreciate the confidence and the support that Secretary Pierce has placed in me, and I think I can say that I have had the unique good fortune to have had previous associations and working relationships with Secretary Pierce during my tenure as Assistant to the President, particularly in working with him and dealing with him at the Cabinet level on urban policy matters.

TO BUILD ON SOLID ACHIEVEMENTS OF THE PAST 4½ YEARS

But as Under Secretary, it would be my intention, Mr. Chairman, to assist Secretary Pierce in whatever capacities I can to build on those solid achievements of the past 4½ years. The Secretary and the Department have indeed made some outstanding accomplishments in reducing the size and scope of HUD, while maintaining, I believe, a firm commitment to assist Americans, and especially the needy in their housing needs, while at the same time focusing on the revitalization of our urban society.

In my opinion, Mr. Chairman, the Department of Housing and Urban Development is in fact a "people" Department. Its successes must be measured I believe, by its ability to deal effectively with people, and thus the concept of partnership is an essential element of achieving those successes. And for that reason, I view as one of the most important tasks at HUD for me to enhance those working partnerships.

I intend to challenge the HUD professionals to formulate new ideas, new approaches, and new solutions and to create viable working partnerships with them, partnerships for those in urban America to encourage their own participation and sense of pride while working to uphold the commitments to helping those in need.

I intend to work with the Congress in partnership to fine tune some of the existing programs, but also to come up with innovative ways to address future public policy issues which would come before this Department.

I intend to work with those in the private sector as well as with those at the State and local levels of government to find creative and innovative ways to address our Nation's urban housing problems.

But clearly I think the challenge for HUD as a people-oriented Department is to generate as much productivity and enthusiasm for HUD's mission as possible among those people joined in partnership to achieve those goals.

Mr. Chairman, having traveled thousands of miles in my position at the White House during the past several years and visited some 45 States as the President's eyes and ears for the intergovernmental constituencies, I have had a unique opportunity to see public and private partnerships working together at the State and local levels of government to shape some of the solutions to the needs and problems of our society.

In fact, one good example of where I think this Department has been successful in building bridges between the public and private sectors has been in fostering an atmosphere for the development of enterprise zones. The President's concept of enterprise zones has, I

believe, been used very effectively by State and local levels of government and the private sector across this Nation.

TO PROVIDE JOBS AND OPPORTUNITIES IN MOST DISTRESSED AREAS

One of my priorities in this position will be to work to achieve the enactment of Federal legislation to provide jobs and opportunities in our Nation's most distressed areas and to revitalize what the President calls the "entrepreneural spirit."

In recent weeks, Mr. Chairman, I have met and worked with a number of HUD professionals and have found them to be both confident and experienced, fully dedicated and responsible public servants. They represent the heart of this Department, and it is my intention to work to achieve a spirit of cooperative management and to achieve a genuine team effort at that Department.

To accomplish that objective, I want to continue to maintain the open door policy, which has been a very basic tenet of my public service career, both on the Hill and in this administration.

I particularly look forward, Mr. Chairman, to the opportunities that this position affords me to return to Capitol Hill and to work again with Members of Congress and with staff.

Mr. Chairman and members of the committee, I sincerely appreciate the honor that President Reagan has bestowed upon me by nominating me as Under Secretary of Housing and Urban Development.

To build upon the accomplishments which have been achieved at HUD to date will depend upon all of us working together in partnership.

I am reminded in closing, Mr. Chairman, of a statement that the President made in his State of the Union address in February which I think most aptly applies to all of us in this administration and which shall be a tenet which will guide me in my responsibilities at HUD if confirmed.

You may recall that he said at the opening of his State of the Union Address, and I quote:

> While we have begun well, it is only a beginning. We are not here to congratulate ourselves for what we have done, but rather to challenge ourselves to finish what has not yet been done.

Thank you, Mr. Chairman.

[The prepared statement and biography of Lee Verstandig follows:]

STATEMENT OF UNDER SECRETARY-DESIGNATE

LEE L. VERSTANDIG

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, IT IS A REAL PRIVILEGE FOR ME TO APPEAR BEFORE YOU THIS MORNING AS PRESIDENT REAGAN'S DESIGNATE TO BE UNDER SECRETARY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

I AM DEEPLY HONORED THAT PRESIDENT REAGAN HAS ASKED ME TO SERVE IN THIS CAPACITY AND, IF I AM CONFIRMED BY THE SENATE, I WILL DEDICATE MYSELF, MY ENERGIES AND RESOURCES TO THE FULFILLMENT OF THE DEPARTMENT'S MISSION AND THE PRESIDENT'S GOALS.

I SINCERELY APPRECIATE THE CONFIDENCE AND SUPPORT OF SECRETARY PIERCE. IT HAS BEEN MY GOOD FORTUNE TO HAVE BEEN ASSOCIATED WITH AND HAVE WORKED CLOSELY WITH HIM DURING MY TENURE AS ASSISTANT TO THE PRESIDENT FOR INTERGOVERNMENTAL AFFAIRS, AND ESPECIALLY IN DEALING WITH URBAN POLICY MATTERS.

AS UNDER SECRETARY, IT WOULD BE MY INTENTION TO ASSIST SECRETARY PIERCE IN WHATEVER CAPACITIES I CAN TO BUILD ON HIS SOLID ACHIEVEMENTS OF THE PAST FOUR AND ONE-HALF YEARS. SECRETARY PIERCE AND THE DEPARTMENT HAVE ACHIEVED SOME OUTSTANDING ACCOMPLISHMENTS IN REDUCING THE SIZE AND SCOPE OF HUD WHILE MAINTAINING A FIRM COMMITMENT TO ASSIST AMERICANS, AND ESPECIALLY THE NEEDY, IN THEIR HOUSING NEEDS WHILE ALSO FOCUSING ON THE REVITALIZATION OF OUR URBAN SOCIETY.

THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT IS A PEOPLE DEPARTMENT. ITS SUCCESS MUST BE MEASURED BY ITS ABILITY TO

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DEAL EFFECTIVELY WITH PEOPLE AND THUS THE CONCEPT OF PARTNERSHIP IS AN ESSENTIAL ELEMENT TO ACHIEVING THAT SUCCESS. THEREFORE, I VIEW ONE OF MY MOST IMPORTANT TASKS AT HUD TO ENHANCE THAT WORKING RELATIONSHIP.

I INTEND TO CHALLENGE THE HUD PROFESSIONALS TO FORMULATE NEW IDEAS, NEW APPROACHES, NEW SOLUTIONS AND TO CREATE A VIABLE WORKING PARTNERSHIP. A PARTNERSHIP FOR THOSE IN URBAN AMERICA, TO ENCOURAGE THEIR OWN PARTICIPATION AND A SENSE OF PRIDE WHILE UPHOLDING THE DEPARTMENT'S COMMITMENTS TO HELPING THOSE MOST IN NEED. I INTEND TO WORK WITH THE CONGRESS IN PARTNERSHIP TO FINE-TUNE EXISTING PROGRAMS AND TO COME UP WITH INNOVATIVE WAYS TO ADDRESS FUTURE PUBLIC POLICY ISSUES BEFORE THIS DEPARTMENT. I INTEND TO WORK WITH THOSE IN THE PRIVATE SECTOR, AS WELL AS AT THE STATE AND LOCAL LEVELS OF GOVERNMENT, TO FIND CREATIVE INITIATIVES TO ADDRESS OUR NATIONS URBAN AND HOUSING PROBLEMS. CLEARLY, THE CHALLENGE FOR HUD AS A PEOPLE-ORIENTED DEPARTMENT IS TO GENERATE AS MUCH PRODUCTIVITY AND ENTHUSIASM FOR HUD'S MISSION AS POSSIBLE AMONG THE PEOPLE JOINED IN PARTNERSHIP TO ACHIEVE HUD'S GOALS.

HAVING TRAVELED OVER THOUSANDS OF MILES THROUGHOUT THIS NATION TO SOME 45 STATES AS THE PRESIDENT'S "EYES AND EARS" AMONG THE INTERGOVERNMENTAL CONSTITUENCIES, I HAVE HAD THE OPPORTUNITY TO SEE

PUBLIC AND PRIVATE PARTNERSHIPS WORKING TOGETHER AT THE STATE AND LOCAL LEVELS OF GOVERNMENT TO SHAPE SOLUTIONS TO THEIR NEEDS AND PROBLEMS. ONE GOOD EXAMPLE OF WHERE THE DEPARTMENT HAS BEEN SUCCESSFUL IN BUILDING BRIDGES BETWEEN THE PUBLIC AND PRIVATE SECTORS HAS BEEN ITS FOSTERING OF AN ATMOSPHERE FOR THE DEVELOPMENT OF ENTERPRISE ZONES. THE PRESIDENT'S CONCEPT OF ENTERPRISE ZONES HAS BEEN USED EFFECTIVELY BY STATE AND LOCAL GOVERNMENTS AND THE PRIVATE SECTOR ACROSS AMERICA. ONE OF MY PRIORITIES WILL BE TO WORK TO ACHIEVE THE ENACTMENT OF FEDERAL LEGISLATION TO PROVIDE JOBS AND OPPORTUNITIES IN OUR NATIONS MOST DISTRESSED AREAS AND TO REVITALIZE THE ENTREPRENEURAL SPIRIT.

IN RECENT WEEKS I HAVE MET AND WORKED WITH A NUMBER OF HUD PROFESSIONALS AND HAVE FOUND THEM TO BE BOTH COMPETENT AND EXPERIENCED, FULLY DEDICATED, AND RESPONSIBLE PUBLIC SERVANTS. THEY REPRESENT THE HEART OF THIS DEPARTMENT, IT IS MY INTENTION TO WORK IN A SPIRIT OF COOPERATIVE MANAGEMENT AND TO ACHIEVE A GENUINE TEAM EFFORT.

TO ACCOMPLISH THAT OBJECTIVE, I WILL MAINTAIN THE "OPEN DOOR" POLICY WHICH I HAVE BELIEVED IN AND USED IN MY YEARS IN GOVERNMENT SERVICE. I PARTICULARLY LOOK FORWARD TO THE OPPORTUNITIES THIS POSITION WILL AFFORD ME TO RETURN TO CAPITOL HILL AND WORK AGAIN WITH MEMBERS OF THE CONGRESS AND YOUR STAFF.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I SINCERELY APPRECIATE THE GREAT HONOR WHICH PRESIDENT REAGAN HAS BESTOWED UPON ME BY NOMINATING ME AS UNDER SECRETARY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT. TO BUILD UPON THE ACCOMPLISHMENTS WHICH HAVE BEEN ACHIEVED AT HUD TO DATE WILL DEPEND UPON ALL OF US WORKING TOGETHER IN PARTNERSHIP.

I AM REMINDED OF A STATEMENT THAT THE PRESIDENT SAID IN HIS STATE OF THE UNION ADDRESS IN FEBRUARY WHICH MOST APTLY APPLIES TO ALL OF US IN THIS ADMINISTRATION AND WHICH I SHALL BE GUIDED BY AT HUD IF CONFIRMED -- "WHILE WE HAVE BEGUN WELL, IT'S ONLY A BEGINNING. WE ARE NOT HERE TO CONGRATULATE OURSELVES ON WHAT WE HAVE DONE, BUT TO CHALLENGE OURSELVES TO FINISH WHAT HAS NOT YET BEEN DONE."

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Verstandig (LAST) Lee (FIRST) Lovely (OTHER)

Position to which nominated: Department of Under Secretary/Housing and Urban Dev. Date of nomination: May 31, 1985

Date of birth: 11 (DAY) 9 (MONTH) 37 (YEAR) Place of birth: Memphis, Tennessee

Marital status: Married Full name of spouse: Toni Jean Grant Verstandig

Name and ages of children:

Scott Barton Verstandig Age: 13

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Hopkins Grammar School	1949-52		
The Choate School	1952-55	Diploma	June, 1955
Franklin & Marshall College	1955-59	A.B.	June, 1959
T.C. Williams School of Law	1959-60		
Univ. of Tennessee	1960-61	M.A.	Aug., 1961
Brown University	1961-70	Ph.D.	June, 1970
Yale University	Summer-1962		
Columbia University	Summer-1963		

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Opportunities Industrialization Centers of America (OIC)
Executive Government Award -- May 29, 1984

Honorary Degree-"Senior Class Citation"-Brown University Commencement
Providence, Rhode Island, June 1974

Faculty-Scholar Fellowship, 1967-68, Roger Williams College,
Bristol, Rhode Island

Memberships: List below all memberships and offices held in professional, fraternal, business, scholastic, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
The Metropolitan Club Washington, D.C.		1984-Present
Brown University Corp. Committee on Legal and Governmental Affairs		Sep. 1984-Present
Congressional Country Club Potomac, MD		1982-Present
Rams Washington, D.C.	Treasurer (1980)	1979-Present
Brown Broadcasting Co. Providence, RI	President and Director	1972-1981
British University Advisory Board of the College Center for Education Abroad		1974-1978
*See Addendum Northeast Assoc. of Pre-Law Advisors/Philadelphia, PA	Vice Chairman and Overseer	1974-76

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

FROM/TO	EMPLOYER	LOCATION	TITLE
6/83-6/85	The White House	Washington, D.C.	Assistant to the President for Intergovernmental Affairs
3/83-5/83	United States Environmental Protection Agency	Washington, D.C.	Acting Administrator
2/83-3/83	United States Environmental Protection Agency	Washington, D.C.	Acting Administrator for External Affairs
2/81-5/83	U.S. Department of Transportation	Washington, D.C.	Assistant Secretary for Governmental Affairs
1/77-2/81	U.S. Senator John H. Chafee	Washington, D.C.	Administrative Assist.
12/70-12/77	Brown University	Providence, RI	Associate Dean of Academic Affairs
09/63-12/70	Roger Williams College	Bristol, RI	Professor
Summer,1958	Raybestos Wire Co.	New Haven, CT	Wire Stripper
Summer,1957	City Recreation Dept.	New Haven, CT	Supervisor
Summer,1956	Clark Dairy Inc.	New Haven, CT	Soda Jerk
Summer,1955	Mohigan Stores,Inc.	New Haven, CT	Clerk

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

(Jun,83-Jun,85) The White House, Washington, D.C. Assistant to the President for Intergovernmental Affairs

(Sep,83-Sep,85) Presidential Advisory Commission on Intergovernmental Relations, Washington, D.C. (Appointed)

(Feb,83-May,83) The U.S. Environmental Protection Agency, Washington, D.C. Acting Administrator (Mar-May,83) and Acting Admin. for External Affairs (Feb-Mar,83)

(Feb,81-May,83) The U.S. Department of Transportation Washington, DC Assistant Secretary for Governmental Affairs

(1981-1982) AMTRAK, Board of Directors, Washington, D.C.

(Jan,77-Jan,81) U.S. Senator John H. Chafee, Washington, D.C. Administrative Assistant

(1973-1975) Member, Rhode Island Council for International and Cross-Cultural Education

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

"David R. Atchison and Repeal of the Missouri Compromise," Masters thesis, University of Tennessee, Knoxville, Tenn., 1961

"The Emergence of the Two-Party System in Maryland, 1787-1796" Doctoral dissertation, Brown University, Providence, RI, 1970

"American Enterprise Zones: The White House Outlines its Plans to Stem the Disintegration of our Cities," Legislative Policy, Jan-Feb 1984

Line Item Veto - Baltimore Sun op/ed submission, March 17, 1984

"Reagan: Enact Enterprise Zone Proposal Now," U.S. Chamber of Commerce The Business Advocate, April, 1985

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Member of the Republican Party, D.C., 1980-Present

Member of Traveling Staff, Reagan-Bush Truth Squad, 1980

Coordinator, Senate and Congressional VIP's at the 1980 Republican National Convention

Member, Steering Committee, U.S. Senator John H. Chafee (R-RI) 1977-1980
Member of the Republican Party, RI, 1962-1980

Member of Steering Committee and Director of Research and Issues, Republican Candidate for the U.S. Senate, R.I., 1976

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

N/A

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

See Addendum - Qualifications Statement

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

N/A

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

N/A

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

N/A

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

A divorce decreed by the District of Columbia Superior Court on June 30, 1981.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

MEMBERSHIPS

(Addendum I from p.2)

Memberships

Twelve College Institute for Off-Campus Experience and Cooperative Education Boston, Massachusetts Board of Directors	1973 - 1977
Moses Brown School Providence, Rhode Island Vice Chairman and Member of Board of Overseer	1972 - 1977
Agawam Hunt Club Providence, Rhode Island	1968 - 1977
University Club Providence, Rhode Island	1968 - 1973
Chi Phi Fraternity Atlanta, Georgia	1959 - Present
Graduate Club New Haven, Connecticut	1958 - 1964
New Haven Historical Society New Haven, Connecticut	1956 - Present
American Historical Association Washington, DC	1964 - Present

Lee L. Verstandig

QUALIFICATIONS STATEMENT
(Addendum II from p.4)

My professional experiences combine academic analysis of public policy issues with the formulation and implementation of viable policy measures in both the Legislative and Executive branches of the Federal Government. Urban policy issues and considerations have been an integral part of my career.

As a Professor of History and Political Science, and as an Academic Dean, these perspectives have enabled me to develop a keen understanding of the significance of urban life in America's past and future. From my research in American political life, to my teaching and active participation in community affairs, I have developed both programmatic and academic knowledge of the issues of American society. Consequently, I became a full-time practitioner of public policy as an Administrative Assistant to a United States Senator.

My services on the Hill afforded me the opportunity to interface and understand the impact of a variety of issues, including those relating to housing and urban development, in the larger framework of national policy. Those experiences enabled me to apply my theoretical understanding of issues in the practical milieu of the legislative process.

During my years on the Hill, I worked very closely with a number of Senators and Congressmen during the initial development and introduction of Enterprise Zone legislation. I believed then, as I believe now, that this legislation holds great promise as an effective and innovative approach to economic revitalization. Enterprise Zones will reach into distressed areas and provide jobs, opportunities for a new generation of entrepreneurs, and--above all--hope for citizens of what the President has called "the abandoned corners of our land."

In 1981, I was nominated by the President and confirmed by the Senate for the position of Assistant Secretary for Governmental Affairs at the Department of Transportation. During my tenure at DOT, I was involved in a number of issues that affect urban America. These ranged from highway programs, port development, rail and aviation transportation to mass transit. I was particularly active in the development and enactment of the Surface Transportation Act of 1982 (the 5¢ gas tax).

In February of 1983, the President asked me to go to the Environmental Protection Agency, where I was subsequently appointed Acting Administrator. There, I dealt with a wide range of environmental issues, many of which affected our cities. During my tenure at EPA, I reorganized the Agency, re-established an effective management operation, and exercised responsibility for budgetary and legislative programming.

In June of 1983, I was appointed Assistant to the President for Intergovernmental Affairs. In that capacity, I served for two years as the President's principal liaison with our Nation's state and local elected officials. I implemented an "outreach" program to communicate more effectively with elected officials on behalf of the President.

In representing the President on policy issues affecting cities, I worked closely with our Nation's mayors, city and county administrators. During that time, I travelled over 180,000 miles and visited some 45 states, communicating and working with elected officials in support of the President's "federalism" initiative, which seeks to devolve authority and responsibility to the levels of government closest to the people.

Furthermore, I served as the President's White House liaison on Enterprise Zones and travelled to 18 of the 24 states that to date have enacted similar state enterprise zone legislation. This hands-on experience has enabled me to witness the development and impact that enterprise zones are having at the state and local levels.

Additionally, I worked closely with the White House Office of Private Sector Initiatives to foster improved public/private partnerships throughout the Nation.

In hindsight, I believe I brought to Washington a solid theoretical understanding of the policy issues that affect our Nation. During my years in both the Legislative and Executive branches of the Federal Government, I have come to grips with the practical application of those policies, especially as they affect our cities.

During these years, I have also developed an understanding of the legislative process, as well as the organizational and management tools required for effective administration and I have sought to utilize these tools effectively in the departments and agencies with which I have been associated.

Therefore, I believe that I bring to the position for which I have been nominated a wide range of qualifications, including academic, community, legislative, executive, managerial, and issues-oriented experiences which will enable me to assume the responsibilities of the Under Secretary of the Department of Housing and Urban Development.

The CHAIRMAN. Thank you very much.

Is there any organization with which you are affiliated that would cause any conflict of interest in your service as Under Secretary?

Mr. VERSTANDIG. No, Mr. Chairman.

The CHAIRMAN. Do you agree to appear and testify before this committee and other committees of Congress when asked to do so?

Mr. VERSTANDIG. I would welcome such opportunities, sir.

HUD TO ESTABLISH A DIRECT WHITE HOUSE LINK

The CHAIRMAN. There have been some reports that you are being nominated to this position at HUD to establish a direct White House link. Could you comment on that?

Mr. VERSTANDIG. Well, I would only hope that my experiences at the White House will enable me to strengthen and improve the relationships between this Department and the White House and the administration.

One of the things I have learned, Mr. Chairman, is having come from the Hill to departments and agencies was a valuable experience, but I think an especially valuable experience is having worked at the White House and closely with the President and policymakers to understand how important it is for us to maintain liaison with the departments and agencies as well as the Congress to reflect the President's goals and objectives.

VIEWS ON THE UDAG GRANTS

The CHAIRMAN. What are your views on the UDAG grants?

Mr. VERSTANDIG. I think clearly, as others in this administration and Dave Stockman in particular have commented on some of its problems and abuses, that in terms of the administration's proposals to eliminate that program, the Congress, both the House and Senate, have made their decision to make reductions of between 10 and 20 percent for next year.

My feeling is there is certainly room in that program for improvements and I know that this committee and others in the Congress are judiciously at work in modifying the formulas and I would like to work with them to achieve a more efficient and more effective way to deal with that program.

The CHAIRMAN. Lee, I don't have a lot of questions for you simply because of knowing you personally for so many years, particularly when you were Senator Chafee's administrative assistant.

I would like to just say to you that I look forward to a close working relationship. Both Senator Proxmire and I serve on this committee as well as the Appropriations Subcommittee having jurisdiction over HUD, and it is highly important that we have direct and frequent communications with the Department. At times in the past they have not been satisfactory.

So I hope that you will, where I asked you the question about the direct link to the White House, I hope you will have a direct link to both committees of jurisdiction here in the Congress.

HUD has had a lot of problems over a long number of years. It is a difficult Department to administer, particularly since we have had rather dramatic cutbacks in funding that make it even more

difficult to administer and to work with the Congress in making some of those difficult decisions. When there is plenty of money flowing around, it doesn't take as much brilliance to be a good manager or a good overseer.

As you know, we have had dramatic cutbacks and we are facing additional cutbacks this year. So I look forward to working with you and trying to solve some really rather difficult problems in that readjustment that we are having with the housing programs of this country.

Senator Proxmire.

Senator PROXMIRE. Thank you, Mr. Chairman.

Mr. Verstandig, you have a very distinguished background. You obviously have a superlative education. You have been a professor. You have had a great deal of experience here in Government. You worked with a marvelous Senator. All of us have great respect to John Chafee. He was on this committee, as you know, for a number of years.

Mr. VERSTANDIG. Yes, sir.

Senator PROXMIRE. When he was on the committee did you work with him on HUD?

Mr. VERSTANDIG. Yes, sir. I will take some responsibility for having encouraged him to join this committee.

Senator PROXMIRE. One reason I asked that is because all of you have excellent experience in all kinds of areas, but I don't see any particular background in either housing or city problems or urban development which, of course, are the responsibilities of this particular Department.

Mr. VERSTANDIG. I think, Senator Proxmire, that my experience in not only working up here with the Senator and this committee and others, but I think more particularly having worked at Transportation in a lot of urban-related areas, highway, mass transit, and the Surface Transportation Act with Secretary Lewis in 1982 and some of the problems that I addressed at EPA, but particularly in the last 2 years as the President's principal liaison with Governors and mayors and elected officials, I have visited most of the States in the country and worked very closely with the President in bringing mayors and elected officials, county officials to the White House as well as traveling with him around the country and have worked very closely with policy people at the White House to strengthen the understandings and relationship in urban matters.

I think that, while I may not have expertise in housing or in urban development, my experiences in administration in the past several years may serve for me to be more advantageous not having spent years in housing, real estate, or urban development, but rather to have developed, I think, some skills in dealing with people and communicating with people and trying to draw on the resources of others to accomplish the objectives that they have and we have.

I have suggested to people at HUD recently that I would much prefer to have the experts in housing and urban development counsel me than expect me to learn all that housing and urban development has.

So I think I bring to this position some experience and some abilities to communicate, and having traveled around the country a

great deal and knowing most of the mayors of small and larger cities and some of their problems and have shared those with them and with others in this administration, I think that I can bring to this position a somewhat different experience maybe than others before.

Senator PROXMIRE. The chairman spoke about UDAG and asked you about that. I found, and I didn't realize it, but I found just the other day that I was the author of the urban development action grant legislation when it was enacted.

Frankly, I am very disappointed in it. We sunsetted it and rightfully so. I am in favor of abolishing the UDAG Program. It is a costly program and it has primarily been financing downtown hotels, which wasn't our original purpose at all. We wanted to get out in the neighborhoods and help where they needed help and it hasn't been doing that.

Most of the work has been done by people who are well reimbursed anyway, and I think we have a big risk private sector that has been doing a good job in developing downtown areas. So I think it is a redundant agency, unless it is changed.

Do you have any plan for redirecting it or any notion that maybe it can be redirected to move in the areas that obviously need it rather than in other areas?

ABUSES IN UDAG PROGRAM

Mr. VERSTANDIG. Senator, I agree entirely with your comments about UDAG. I think there have been terrible abuses, and having seen many as I have traveled around the country, I, too, am offended, as Dave Stockman has testified about some of the litany of those hotels, taverns, inns, corporations, major corporations and others who have leveraged UDAG money when they themselves certainly could afford to do it.

I think, on the other hand, there are some success stories where UDAG funds have been very helpful. I think that part of the problem is, and I think this is a unique occasion to try, to fine tune those abuses.

I think also that we have found, as you know, that in the past certain areas of the country, and I know that Senator Mattingly is aware of this, that in the South and the West they have been denied some of the opportunities by the nature of the formula for UDAG.

I think this is an opportunity for us to look very closely at this program and see if we can't get back to what may indeed have been your original intent in proposing that legislation.

Senator PROXMIRE. One other question. I notice that you have written on the line-item veto.

Mr. VERSTANDIG. Yes, sir.

Senator PROXMIRE. Did you write a book on that?

Mr. VERSTANDIG. That was several articles, sir.

Senator PROXMIRE. The reason I asked is because I am very much in favor of the line-item veto. As you know, Senator Dixon introduced it and Senator Mattingly I guess is the principal author of the line-item veto proposal. I am very enthusiastically in favor of it, and I am very hopeful that we can make progress on it.

What is your feeling about the prospects after being up here on the Hill and now being in the administration?

Mr. VERSTANDIG. I am very encouraged by that. As you know, a number of States, some 43 States have given that authority to their Governors and the President has had a long record of support on this matter. He has spoken very firmly about that from his own experiences as a former Governor.

I know from many conversations with Governors that line item authority is a very effective tool that would be beneficial to the President as well. As the President has said, if it works in 43 States, let's do it in Washington. In fact, I am well aware of the interest of several in Congress on this subject and in particular the legislation introduced by Senator Mattingly of this committee.

I hope we will get to that. I think particularly in the budget crunches that we have in the programs and the responsibilities that we have at HUD this is one of the ways in the future to try to put——

Senator PROXMIRE. We need all the help we can get.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Proxmire.

Mr. Verstandig, I have no further questions for you at this time, but I do believe there are some other members of the committee who will be coming to ask you some questions. So if you would be patient with us for a moment.

Senator Sasser was attempting to be here, but again is in another hearing, but will submit some questions in writing.

[Response to Senator Sasser's questions from Lee Verstandig follow:]

RESPONSE TO WRITTEN QUESTIONS OF SENATOR SASSER FROM LEE VERSTANDIG

Question. As you know, both the Senate and the House Budget Resolutions contain provisions for the extension of the UDAG Program. The Senate language contains a 20-percent cut (in fiscal year 1986) and terminates the program in fiscal year 1987; the House proposes a 10-percent cut and no termination date. Will the administration support the program levels ultimately adoped?

Answer. As you know, the fiscal year 1986 budget levels proposed by the Senate were agreed to in May by the President's budget negotiators, and represent an aggregate spending (and savings) objective. Underlying that objective are specific agreements on individual spending programs. The House budget proposal contains significant differences in its mix of those individual spending programs.

At the present time, House/Senate budget conferees are meeting on the fiscal year 1986 budget. Given the variety of scenarios under which a Senate/House resolution might be struck, it is difficult to say at this time at what levels and under what circumstances any one program such as this one might be supported by the administration.

Question. In view of the likely continuation of the UDAG Program, will the administration support the Riegle-Grassley-Sasser selection formula change?

Answer. The Department implemented the current selection formula only after careful study of the statutory language and legislative history of the UDAG Program. As you know, both the statute and legislative history clearly demonstrate a congressional intent to make a UDAG applicant's impaction (population growth lag, poverty, and age of housing) a primary criterion in the UDAG selection process. In view of this congressional intent, any significant changes in the distribution of UDAG funds will have to be done legislatively.

The Secretary has consistently taken the position that, if the UDAG Program is continued, it is up to Congress to establish the selection process—just as it did in the original law.

However, the Department continues to remain available to provide technical assistance on the effects of any proposed legislative change to the selection formula.

50-156 O—85——3

The CHAIRMAN. We are out of session today, and you know what that means: A lot of our Senators have disappeared. Still some have made a special effort to be here and to stay here because of these hearings, and I would like to try and accommodate my colleagues.

I would like to invite Senator Zorinsky and Senator Exon up for the purposes of introducing Mr. Glenn Wilson.

Senator Exon.

OPENING REMARKS OF SENATOR EXON

Senator EXON. Mr. Chairman, thank you very much, and Senators Proxmire and Mattingly and my colleague, Senator Zorinsky, thank you for inviting us to come in this morning for the specific purpose of recommending an outstanding Nebraskan for a position for which he has been nominated by the President of the United States.

I am pleased to offer my enthusiastic support for the nomination of Mr. Glenn R. Wilson of Grand Island, NE, to be President of the Government National Mortgage Association.

Mr. Wilson has an excellent record with over 18 years of management and construction experience. He has served as president of the Nebraska State Home Builders Association in 1979 and 1980 and is a member of the multifamily committee of the National Association of Home Builders.

Mr. Wilson is a well known community leader as well as a State leader in several areas. He is an excellent choice as the President of the Government National Mortgage Association.

I enthusiastically commend, Mr. Chairman and members of the committee, Mr. Glenn R. Wilson of Grand Island, NE, for the position to which he has been nominated. He will have my complete and total support.

The CHAIRMAN. Thank you very much, Senator.

Senator Zorinsky.

OPENING REMARKS OF SENATOR ZORINSKY

Senator ZORINSKY. Thank you, Mr. Chairman.

I am pleased to attend the hearing this morning in order to introduce Mr. Glenn R. Wilson, Jr., a nominee for the presidency of the Government National Mortgage Association.

As you and members of this distinguished committee are aware, Mr. Chairman, the President of GNMA will face many, many challenges, challenges which will require strong leadership abilities.

Mr. Wilson possesses these characteristics. Within his profession he has been a member of and participated in many organizations related to the real estate development industry.

In addition, he has maintained an active interest in this Nation's political process throughout his career.

Finally, Mr. Wilson has always found time to assist the community by becoming involved in civic activities. He is one of those rare Americans that feels he has something to contribute back to a country that has treated us all well, and I wholeheartedly recommend his confirmation and certainly will support him in seeking it.

I want to thank you very much for making this opportunity available to Senator Exon and myself, Mr. Chairman.

The CHAIRMAN. Thank you. The committee appreciates both of you being willing to come, particularly when there are airplanes going here, there and every place when we are not in session.

Senator ZORINSKY. They are getting highjacked, too. [Laughter.]

Senator EXON. Mr. Chairman, I just might add that I will be getting on an airplane very shortly, and I hope there is the enthusiastic support on the committee that comes from Senator Zorinsky and myself.

I would simply point out that Mr. Wilson is not a member of our political faith. He is a member of yours, Mr. Chairman. But I have found him to be an outstanding individual. He has the total support of the home building industry in Nebraska and I think that when confirmed, as I am sure he will be, that he will be an outstanding man in the position to which he has been selected by the President of the United States.

The CHAIRMAN. Well, speaking of political parties, and I don't know whether or not I have ever told you this or Jim, but I was raised by a very staunch Democrat.

Senator EXON. What happened? [Laughter.]

The CHAIRMAN. Nothing happened. I am a little bit liberal compared to what my father was. [Laughter.]

Senator EXON. You mean like Exon and Zorinsky. [Laughter.]

The CHAIRMAN. He was a lifelong Democrat who used all the old cliches about Republicans and big business and his party being the party of the people. I listened to all of that, but he really did make me look a little bit liberal. He would have been far more conservative than probably Jesse Helms if he had been a U.S. Senator, but he would have stayed a Democrat. He would say those damn liberals should not be allowed to use the name of my party. They are not Democrats. [Laughter.]

So that is why I said I was raised by a good Democrat. [Laughter.]

Senator MATTINGLY. I might add, Mr. Chairman, that Senator Proxmire in referring to the line item veto earlier, and as all five of the Senators sitting up here are all cosponsors of the Mattingly Senate bill 43 for the line-item veto, that speaks very well for this panel up here today.

Senator EXON. I suppose your father would have been for that, too, wouldn't he, Jake?

The CHAIRMAN. Yes. [Laughter.]

Thank you, gentlemen.

Mr. Wilson, if you have an opening statement, we would be happy to hear from you.

Mr. WILSON. I do, Mr. Chairman.

STATEMENT OF GLENN R. WILSON, JR., PRESIDENT-DESIGNATE, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

I want to thank Senators Zorinsky and Exon for appearing on my behalf, Mr. Chairman, and I want to thank the members of the committee for having me here.

It is an honor to appear before you today in support of my nomination to be President of the Government National Mortgage Association, [GNMA].

Since 1975 I have been president of the Mid-Continent Enterprises, a building company in Grand Island, NE. In that capacity I was responsible for the major operations, which included syndicating limited partnerships, construction financing and formulating long-term financial commitments for construction and, last, we did manage residential and commercial property.

I have also served as the president of the Nebraska Home Builders Association and Home Owners Warranty Corp. of Nebraska.

I am delighted to be the President's nominee for this position. As you know, the Government National Mortgage Association's operation in the Department of Housing and Urban Development has developed over the past 15 years to provide secondary market support for the federally guaranteed residential mortgage market.

PURPOSE OF MORTGAGE-BACKED SECURITIES PROGRAM

Nearly all of the FHA-insured single-family mortgages are financed through the GNMA Program. GNMA is best known for its most important ongoing program, which is the Mortgage-Backed Securities [MBS] Program.

The purpose of this program is to increase the availability of mortgage credit for federally insured mortgages by attracting new sources of funds for the mortgage market. Through this process the program serves to increase the availability of credit at the most reasonable interest rates possible. The net effect is greater home ownership opportunities for a broad range of American home buyers and families.

I am a firm believer in GNMA and its services. As a residential builder for many years, I was able to see at the grassroots level that this program actually works for people. At a time of critically high interest rates, the GNMA market provided lenders with the ability to offer affordable rates and various financial options.

I am convinced that without GNMA hundreds of families would have been without housing that presently enjoy that benefit today.

Markets are always changing and there is no question that GNMA will have to respond to the changes in the future as they have in the past. But I firmly believe that there will always be a place for GNMA.

As a fully self-supporting Government program, GNMA has proven its worth to the Treasury as well as the middle and lower income home buyers in the United States.

It is a pleasure for me to be asked to serve with a great team headed by Secretary Pierce and I look forward to working with such able people as Lee Verstandig.

I commit myself to work with Secretary Pierce and his team at HUD and this committee and look forward to continuing the fine tradition that has been established by GNMA.

Thank you, Mr. Chairman.

[The prepared statement and biography of Mr. Glenn Wilson follow:]

STATEMENT OF GLENN R. WILSON, JR.
BEFORE THE
SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
June 14, 1985

Mr. Chairman, Members of the Committee:

It is an honor to appear before you today on my nomination to be President of the Government National Mortgage Association ("GNMA").

Since 1975, I have been President and owner of Mid-Continent Enterprises in Grand Island, Nebraska. In this capacity, I have been responsible for all major operations of the corporation, which have included syndicating limited partnerships, construction financing, negotiating long-term mortgage commitments and managing both commercial and residential properties.

I have also served as President of the Nebraska State Home Builders Association and President of the Home Owners Warranty Corporation of Nebraska.

I am delighted to be the President's nominee for this position. As you know, GNMA is a government corporation in the Department of Housing and Urban Development that has operated for 15 years to provide secondary market support for the Federal residential mortgage market. Nearly all of the FHA and VA insured single-family mortgages are financed through GNMA.

GNMA's best known and most important on-going program is its mortgage-backed securities (MBS) program. The purpose of this program is to increase the availability of mortgage credit for

federally insured mortgages by attracting new sources of funds for the mortgage market. Through this process, the program serves to increase the availability of credit for housing in all areas of the country and to assure that this credit is available at reasonable interest rates. The net effect is greater homeownership opportunities for a broad range of American families.

I am a firm believer in GNMA and its services. As a residential builder for many years, I was able to see at the grass roots level this program actually work for people. At a time of critically high mortgage interest rates, the GNMA market provided lenders with the ability to offer affordable rates and various financial options. I am convinced that without GNMA, hundreds of family would have been unable to purchase the homes they own today.

Markets are always changing and there is no question that GNMA will have to respond to changes that come in the future, just as they have in the past. But I firmly believe that there will always be a place for GNMA.

As a fully self-supporting government program, GNMA has proven its worth both to the Treasury and to lower and middle income homebuyers in the United States.

It is a pleasure to know that I will be serving on a great team led by Secretary Pierce and including such able people as Lee Verstandig. I am committing myself to work with Secretary Pierce, and with this Committee, to continue the GNMA program in the fine tradition already established.

Thank you.

I will be happy to answer any questions you may have.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Wilson (LAST) Glenn (FIRST) Richard, Jr. (OTHER)

Position to which nominated: President, Government National Mortgage Association Date of nomination: May 20, 1985

Date of birth: 20 (DAY) 2 (MONTH) 1938 (YEAR) Place of birth: Pittsburgh, PA

Marital status: Married Full name of spouse: Constance Stevens Wilson

Name and ages of children: Judith Lynn - 25; Wade King - 4; Glenn Richard, III - 21; Sherry Ann - 19

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Richland TWP	9/45 - 5/52		
Hampton TWP	9/52 - 6/56	Diploma	6/56
Baldwin-Wallace College	~~9/56- 3/58~~ 9/61- 1/62		
University of Pittsburgh	1960 - 1961		
Duquesne University	1962		
University of Hartford	1968 - 1969		
University of Maryland	1969 - 1971		
University of Nebraska	1972 - 1973		

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

National Honor Society, 1956; Baldwin-Wallace College Partial Scholarship; Glidden Bell Ringer, 1964; Koil Good Guy; Nebraska Young G.O.P. Outstanding Man 1966; Senator Fleming's Pennsylvania Senatorial Scholarship, 1958; American Conference Young Political Leader NATO Conference, Dusseldorf, Germany, 1971; Great American Builder Award, 1982

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Rotary International	Past President	1972 - Present
Nebraska Association of Home Builders	Past President	1975 - Present
School Community Intervention Program	Chairman	1985
Masonic Lodge	None	1957 - Present
Project 2M	Chairman	1981 - 1982
Board of Realtors	None	1976 - Present
Shrine	None	1977 - Present

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Mid-Continent Enterprises, Builder Developer, 1/75 - Present
Grand Island, NE

Nebraska Republican State Central Committee, Executive Director
Lincoln, NE 7/71 - 1/75

Young Republican National Federation, Executive Director
Washington, D.C. 8/70 - 7/71

Masonite Corporation, Sales Representative
Kensington, MD 1968 - 1969

Heppenstall Company, Sales Representative and Factory Expediter
Bloomfield, CT 1967 - 1968

The Glidden Company, Store Manager, Retail Supervisor
Omaha, NE 1963 - 1967

Patterson - Sargent Division, H.K. Porter Co., Inc., Supervisor
Pittsburgh, PA 1961 - 1963

Wilson's Paint and Wallppaper, Intermittent Periods of Employment
Gibsonia, PA 1956 - 1961

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Nebraska Power Review Board	1979 - 1982
Chairman	1981 - 1982

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Young Republican National Federation (Newsletter)	1969 - 1971
Nebraska G.O.P. (Newsletter)	1971 - 1975
Young Republican National Federation	
Legislative Races Manual	1969
Apartment Manual	1970

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Reagan - Bush	Nebraska Chairman	1984
Smith for Congress	County Chairman	1975 - Present
Reagan - Bush	Nebraska Co-Chairman	1980
Reagan For President	Nebraska Treasurer	1975 - 1976
Committee for Manager Form of Government	Chairman	1976

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

None

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

See Attached Schedule A

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Ownership will be retained without involvement in the management of the company.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

Since ownership of the company will be retained, the option of returning will remain open.

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Schedule A
Qualifications

Experience in real estate development, packaging, soliciting investors, limited partnerships, general partnerships, construction, consulting, negotiation of mortgage commitments, interim construction financing, property management, and working with lending institutions has provided a broad view of the real estate market from building conception to mortgage completion. The ability to quickly analyze, assess, initiate, organize, and implement projects are leadership qualifications being brought to the position.

Experience as Executive Director for the National Federation of Young Republicans and the Nebraska Republican Party demonstrate the strong ability to organize, and work well with state and national political leaders, volunteers, contributers, and the news media. An honest, forthright, and respected image has always been a strong asset.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

If a conflict should arise, I would withdraw immediately from participation in the area of conflict.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

National Association of Home Builders
15th and M Streets, N.W., Washington, D.C. 20005
Telex 89-2600 (202) 822-0400 (800) 368-5242

John J. Koelemij
1985 President

June 13, 1985

The Honorable Jake Garn
United States Senate
Washington, D.C. 20510

Dear Senator Garn:

On behalf of the more than 133,000 members of the National Association of Home Builders (NAHB) I would like to enthusiastically endorse the nomination of Glen R. Wilson, Jr. for President of the Government National Mortgage Association.

Mr. Wilson has been President and owner of Mid Continent Enterprises, of Grand Island, Nebraska, a firm involved in all aspects of residential and commercial development and management. He was President of the Nebraska State Home Builders Association and President of the Homeowners Warranty Corporation from 1979 to 1980.

I believe Mr. Wilson's business experience and high moral character make him uniquely well qualified to be President of the Government National Mortgage Association.

I would appreciate if this letter would be made a part of the hearing record.

Sincerely,

John J. Koelemij

John J. Koelemij
President

The CHAIRMAN. Thank you, Mr. Wilson.

And, Mr. Moore, I don't want you to feel left out. Senator Wilson is on his way.

AVOIDING POSSIBLE CONFLICT OF INTEREST

Mr. Wilson, you have indicated that you will continue to retain an ownership interest in Mid-Continent Enterprises. What steps will you take as President of GNMA to avoid any possible conflict of interest that might relate to Mid-Continent Enterprises?

Mr. WILSON. In conjunction with the general counsel of HUD and my attorney, who have been working together for the past month, I have taken their recommendations in turning the control of the company over to a new president and new board of directors and we have phased out of the development and construction business. The remaining activity of Mid-Continent Enterprises will be limited to the property management that we have been involved in.

In the past we have not dealt directly with GNMA and I don't believe that there would be any opportunity for a conflict to arise that would be related to my business.

However, I have been advised both by HUD's general counsel and my attorney that should such an occurrence come about, I should withdraw from participation in anything that might have to do with GNMA and my business.

The CHAIRMAN. Do you agree to appear and testify before this committee or any other committee duly constituted by the Congress?

Mr. WILSON. Yes, sir, Mr. Chairman.

The CHAIRMAN. OMB has proposed an increase in the existing guarantee fee imposed by GNMA from the current 6 to 15 basis points. The administration argues that this user fee will somewhat eliminate the price and yield advantages that GNMA and other mortgage-related agencies have in the private credit markets. Critics of this proposal say that it is nothing more than a tax on ownership.

Do you have any comments on the user fee proposals?

Mr. WILSON. It is my understanding that the administration and the Senate have agreed that if user fees are increased for Freddie Mac and FNMA that GNMA would follow. As I understand it, GNMA fees would only be increased 1 basis point per year as long as FNMA was profitable. And in case they were not, it would drop back to the 6 basis points.

That is the understanding I have.

The CHAIRMAN. Mr. Wilson, as President of GNMA, do you have any particular programs or goals that you have in mind to pursue in this new responsibility?

Mr. WILSON. I don't have any preconceived ideas of the direction that GNMA should take, but I have become very much aware of several areas that have a very, very high priority and that I intend to follow and see through. That is mostly in the area of developing a depository which would lead to electronic data processing and recordkeeping for the securities.

There has been over the last few years, as GNMA has become more successful, almost a blizzard of paperwork in trading these

certificates. An orderly settlement of these securities is a priority of the Association.

The CHAIRMAN. There is no doubt that the failure of several Government securities dealers lately has rocked some of the financial markets and certainly had an impact on many S&L's, and in some of these in several instances GNMA securities have been involved. So your comments there are something that certainly I hope you work to reduce or eliminate in any way you can the fradulent use of GNMA securities.

It is a problem because of the spread and lack of confidence in seeing what has happened and how rapidly it spreads through a whole group of S&L's when most of them have had no problems. So it is an area that you will have to look at very, very carefully.

Senator Proxmire.

Senator PROXMIRE. Mr. Wilson, you certainly come with enthusiastic endorsement from your Senators and that weighs very heavily with this Senator.

As you know as a homebuilder, home building faces a very uncertain future with the colossal Federal deficits we have and the likelihood, although interest rates have moderated greatly in the last few months, that interest rates will go higher and the terrific sensitivity that housing has and home building has to interest rates. You are moving into a very exciting and difficult kind of an operation.

May I ask you, what are your views on trusts for investment in mortgages, the so-called TIM's. Do you support the enactment of TIM's legislation?

Mr. WILSON. I would have to look into that further, Senator. I have only become briefly acquainted with the TIM's and how they would affect GNMA, and I would have to give that more study.

Senator PROXMIRE. Do you see a long-term need for a federally sponsored secondary mortgage market against agencies such as Fannie Mae and Freddie Mac, or can the private sector some day handle these functions without Federal aid?

ENCOURAGE THE GROWTH OF THE SECONDARY MARKET

Mr. WILSON. It would be certainly within my philosophy, and I believe the administration's to encourage the growth of the secondary market that would be in the private sector.

Senator PROXMIRE. Do you think we might possibly eventually phase out these Federal operations?

Mr. WILSON. As a private homebuilder, I do have the experience and background to know that one financial area that is often unfilled, a gap, is in the area of housing. As our economy and the economics of our Nation shift, very often it leaves capital short areas, or areas where mortgages do not particularly feel as though they can work profitably. In those cases programs such as GNMA have filled a very important need.

Senator PROXMIRE. What I have in mind is that in some areas of housing such as mortgage insurance, private sector initiatives have worked very well. The founder of Private Mortgage Insurance, Max Carl, is a Milwaukeean, and that corporation has done brilliantly and served the housing market at the same time.

All of us are hoping that as much of this work as possible can be done in the private sector and you as somebody who has been very successful in the private sector and feel so strongly about it I am sure would have that in mind and I hope we can encourage the private sector initiative in this.

Mr. WILSON. Yes, sir, Senator. Our company has used the MGIC program and it has worked very, very successfully in Nebraska.

Senator PROXMIRE. Thank you, Mr. Chairman.

The CHAIRMAN. Do our colleagues from Nebraska have any questions they would like to ask?

Senator EXON. I have no questions.

Senator ZORINSKY. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Wilson, I just have one more question for you, but I would ask if you could remain as well in case some other of our colleagues wish to ask questions of any of the three of you.

Do you agree to appear and testify before this committee and any other committee duly constituted by Congress when asked?

Mr. WILSON. Yes, and I look forward to the opportunity.

As I mentioned earlier, Senator Sasser has submitted written questions for the record.

[Response to written question of Senator Sasser follows:]

RESPONSE TO WRITTEN QUESTION OF SENATOR SASSER FROM GLENN R. WILSON, JR.

Question. As you know, the administration has proposed levying user fees on Government-sponsored enterprises, including the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. This would effectively amount to little more than a tax on low- and moderate-income homebuyers.

The consensus is that if these fees are passed legislatively, administrative actions would also impose user fees on Ginnie Mae. This would mean that the Ginnie Mae guaranty fee paid by lenders would increase from 6 basis points to 15 basis points. This represents a 150 percent increase in a program which in 1984 was responsible for financing some 315,000 FHA units, or 92 percent of the FHA total, and 191,000 VA units, or 86 percent of the VA total.

Do you believe this is an appropriate tax on low- and moderate-income homebuyers? Do you support the concept of user fees on Government-sponsored enterprises, even though they are tax-paying corporations and are simply abiding by their congressional directive to generate lower cost capital for housing? Doesn't this amount to little more than a housing tax?

If Fannie Mae has a user fee imposed legislatively, and Ginnie Mae follows suit, what will be the impact on low- and moderate-income homebuyers? Do you have a sense, or perhaps exact figures, on how many families would be shut out of the home purchase market? Will such considerations be part of your deliberations in imposing additional Ginnie Mae fees?

Answer. You correctly state that if fees for FNMA and FHLMC are passed legislatively, GNMA fees would be increased administratively, pursuant to a compromise between the administration and the Senate. The compromise calls for annual increases of no more than 1 basis point (one one-hundredth of 1 percent) to the current fee of 6 basis points over a 5-year period. Therefore, the maximum GNMA guarantee fee would equal 11 basis points, which would not be achieved before October 1, 1991.

The proposal to increase GNMA fees is consistent with the administration's Government-wide initiative to charge fees for use of Government services and guarantees. I don't consider fees charged for the provision on these services as a tax. The fees provide necessary income to allow an enterprise like GNMA to offer homeownership opportunities to low- and moderate-income homebuyers.

The impact of GNMA's increased guaranty fee on homeowners will be minimal. It's unlikely that the full increase would be passed through to the homeowner, but rather will be absorbed by the lender. But assuming that the full fee increase is absorbed by the homeowner, the monthly payment on a $60,000 mortgage (the GNMA average) would be increased by $.45 per month in the first year of the phase-in period, and $2.30 per month when fully phased in at 11 basis points. It is doubtful

that these payment increases will exclude any potential homeowners from obtaining FHA and VA mortgages.

GNMA and the administration closely explored the potential impact these guaranty fee increases would have on low- and moderate-income homeowners before proposing them. We will do the same in the future whenever program expenses and fee modifications are considered for implementation.

The CHAIRMAN. Mr. Moore, I have just been informed that Senator Wilson is in another committee meeting and is not going to be able to make it. I was going to go ahead with your testimony anyway and put his introduction in front of your testimony. But he will have a statement submitted for the record in support of your nomination.

Senator Heinz is also chairing the Aging Committee this morning and not able to be here and will submit a statement for the record.

STATEMENT OF SENATOR PETE WILSON

Senator WILSON. Mr. Chairman, I would like to introduce to you and the members of this distinguished committee, Dr. Thomas Gale Moore, who has been nominated by the President to serve as a member of the Council of Economic Advisers.

Dr. Moore currently serves as a senior fellow at Stanford University's Hoover Institution and is director of its domestic studies program. He has also been a lecturer in economics at Stanford's Graduate School of Business and at UCLA. Prior to coming to the Hoover Institution, Dr. Moore was on faculty at the Carnegie Institute of Technology and served as professor of economics at Michigan State University. From 1968–70 he acted as senior staff economist to the Council of Economic Advisers for President Lyndon Johnson and for President Richard Nixon. He was an honorary research fellow at University College in London from 1973–74.

Prior to entering academic life, Dr. Moore worked briefly as a foreign research analyst for Chase Manhattan Bank. He is currently an adjunct scholar of the American Enterprise Institute.

Dr. Moore is an expert on the regulation of energy, transportation, and the environment. He is currently working on studies of the growth of regulation in the United States and on environmental and safety regulation for the automobile industry.

He has been active in public policy affairs, and recently served on President Reagan's preelection advisory groups on energy and regulatory policy and on the transition team on Government regulation of the transportation industry. He frequently testifies before congressional committee hearings and State legislative committees, and most recently he appeared before the Joint Economic Committee and the House Subcommittee on Fossil and Synthetic Fuels.

The knowledge and experience that Dr. Moore can offer the President's Council will be invaluable. The economy has prospered over the past 2 years, but difficult decisions still lay ahead. Interest rates must be brought down; the deficit must be reduced; tax reform is in sight. Our President and our Nation need the kind of expertise Dr. Moore can provide in confronting our fiscal problems.

STATEMENT OF SENATOR HEINZ

Senator HEINZ. I am pleased to speak in support of the nomination of Lee L. Verstandig as Under Secretary of Housing and Urban Development.

I have had many occasions to work with Lee since he came to Washington. Lee did a fine job as Assistant Secretary for Governmental Affairs at the Department of Transportation and did an exemplary job as Acting Administrator of the Environmental Protection Agency during a difficult transition period.

As Assistant to the President for Intergovernmental Affairs, Lee Verstandig has been an extraordinarily effective and capable administrator in a variety of roles, most notably on policy issues affecting cities. His name has become synonomous with the administration's well-received enterprise zone proposal.

Lee has served the President and his country with intelligence, grace, and dignity. I am sure he will continue his fine service to the public as the Under Secretary of Housing and Urban Development.

The CHAIRMAN. Mr. Moore, do you have an opening statement that you wish to make?

Mr. MOORE. Yes, I do.

STATEMENT OF THOMAS G. MOORE, MEMBER-DESIGNATE, COUNCIL OF ECONOMIC ADVISERS

Mr. Chairman and Senator Proxmire, it is an honor for me to appear before you as the President's nominee to be a member of the Council of Economic Advisers [CEA].

If comfirmed by the Senate, I look forward to working with this committee and to further the President's goals of fostering economic growth and prosperity and reducing inflation.

My primary responsibilities at the Council will be to work with the Chairman in his role as adviser to the President on economic policy, to represent the Council in various Cabinet-level groups and to supervise the appropriate staff in their formation of economic analysis and recommendations.

At the CEA, I will be the microeconomic member charged with advising on what the Wall Street Journal quaintly called small parts of the economy. That is, I will be responsible for overseeing such activities of the Council as tax, regulation, agriculture, transportation, environment, health, and trade, and for providing microeconomic and sectoral analyses.

I believe that I am well qualified for this position. As an academic economist, I have devoted most of my research and writings to public policy issues—mainly Government regulation. I have written on freight transportation, airline regulation and deregulation, antitrust, the oil industry, uranium enrichment, electric power, licensing of occupations, and stock market margin requirements.

In addition, I served for 2 years on the staff of the Council and therefore have some experience in how CEA works. I have testified frequently before congressional committees, including this committee and the Joint Economic Committee. And I will of course be happy to testify at your request in the future.

I look forward to working with this committee and the Congress to achieve our mutual goal of formulating policies that enhance economic growth and opportunity while providing price stability.

My qualifications are described more fully in the form that I submitted previously to this committee. With this brief statement, I will be happy to respond to any questions.

Thank you, Mr. Chairman.

[The prepared statement and biography of Thomas Moore follow:]

STATEMENT

by

DR. THOMAS GALE MOORE
MEMBER-DESIGNATE
COUNCIL OF ECONOMIC ADVISERS

before the

SENATE BANKING COMMITTEE

Room SD-538

June 14, 1985
9:30a.m.

It is an honor for me to appear before you as the President's nominee to be a member of the Council of Economic Advisers. If confirmed by the Senate, I look forward to working with this Committee to further the President's goals of fostering economic growth and prosperity and reducing inflation.

My primary responsibilities at the Council will be to work with the Chairman in his role as adviser to the President on economic policy, to represent the Council in various Cabinet-level groups, and to supervise the appropriate staff in their formulation of economic analysis and recommendations. At the CEA I will be the micro-economic member charged with advising on what the Wall Street Journal quaintly called "small parts" of the economy. That is, I will be responsible for overseeing such activities of the Council as tax, regulation, agriculture, transportation, environment, health and trade, and for providing microeconomic and sectoral analyses.

I believe that I am well qualified for this position. As an academic economist, I have devoted most of my research and writings to public policy issues, mainly government regulation. I have written on freight transportation, airline regulation and deregulation, antitrust, the oil industry, uranium enrichment, electric power, licensing of occupation, and stock market margin requirements.

In addition, I served for two years on the staff of the Council and therefore have some experience in how CEA works. I have testified frequently before Congressional Committees including this Committee and the Joint Economic Committee and I will, of course, be happy to testify at your request in the future. I look forward to working with this Committee and the Congress to achieve our mutual goal of formulating policies that enhance economic growth and opportunity while providing price stability.

My qualifications are described more fully in the form that I submitted previously to this Committee. With this brief statement, I will be happy to respond to any questions.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Moore (LAST) Thomas (FIRST) Gale (OTHER)

Position to which nominated: Member, Council of Economic Advisers Date of nomination: May 28, 1985

Date of birth: 6/ 11 / 30 (DAY) (MONTH) (YEAR) Place of birth: Washington, DC

Marital status: married Full name of spouse: Cassandra Chrones Moore

Name and ages of children: Charles Godwin Moore age 24

Antonia Laskaris Moore age 21

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Massachusetts Institute of Technology	Sept, 1949 to Feb.,1951		
Geo. Washington Univ., Washington, DC	Feb, 1955 to Sept, 1957	A.B.	June 1957
	1959	A.M.	1959
University of Chicago	to June,1961	Ph.D.	June 1961

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Elected Member, Pi Gamma Mu, The Natl Social Science Honor Society 1957

Earhard Foundation Fellowship 1958-59

Walgreen Foundation Fellowship 1959-60

Adjunct Scholar, The American Enterprise Institute, 1972-present

Member of the Advisory Board, the Reason Foundation, 1982-present

Adjunct Scholar, CATO Institute, 1982-present

Member of Advisory Board, "Changing Domestic Priorities," The Urban Institute, 1982-84

Member of Advisory Board, The Journal of Post-Misesian Economics, 1983-present

Executive Committee of the Capitol Research Center, 1984-present.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Type	Organization	Office held (if any)	Dates
Professional	Amer. Econ.Assoc.,Nashville,Tenn	none	1960-present
Professional	So. Econ. Assoc. Chapel Hill, NC	none	1970-present
Professional	W. Econ. Assoc., Long Beach, CA	none	1975-present
Professional	Amer. Assoc. for Advancement of Science Washington, DC	none	1975-present
Professional	Commonwealth Club of Calif.,SF, CA	none	1980-1981
Country Club	Chevy Chase Club, Chevy Chase,MD	none	1957-present
Country Club	Univ. Club of Palo Alto, PA, CA	none	1975-present
Professional	Mont Pelerin Society no hedqtrs.	none	1976-present
Professional	Philadelphia Society, North Adams, MI	none	1977-present
Ski Club	Lansing Ski Club, E. Lansing, MI	none	1967-74
	YMCA, E. Lansing, MI	none	1967-73
	Amer. Civil Liberties Union, Chicago, ILL	none	1959-68

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Research Assistant, 3/-5-9/57 Human Resources Research Office, Wash.,DC-Supervisor: Mrd. Edgar Shriver
Foreign Economic Analyst, 9/60-9/61, Chase Manhattan Bank, Supervisor: John V. Deaver
Assistant Professor of Economics, 1961-65, Carnegie Inst. of Tech. Supervisor: Dean Richard Cyert.
Associate Prof. of Economics, 1965-68; Prof. of Economics, 1969-74 Michigan State Univ. Supervisor: Prof. Robert Lanillotti,Chairman
Senior Staff Economist, 1968-69;1969-70, Council of Economic Advisors Supervisor: Chairman Arthur Okun and Chairman Paul W. McCracken
Honorary Research Fellow, University College, London, 1973-74 No Super.
Lecturer, Graduate School of Business, Stanford University, 1974-75 Supervisor: Dean Arjay Miller
Lecturer, 1975-76, Department of Economics, UCLA, Supervisor: Department Chairman, J. Clayburn La Force, Jr.
Lecturer, Graduate School of Business, Stanford University, 1978-79 Supervisor: Dean Arjay Miller
Senior Fellow and Director of Domestic Studies Program, 1974-Present Hoover Institution, Stanford University. Supervisor: Dr. W. Glenn Campbel

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Senior Staff Economist, Council of Economic Advisors, 1968-70
Consultant to the National Industrial Pollution Control Council of the Department of Commerce, 1971-72
Consultant to the Office of Telecommunications Policy in the Executive Office of the President, 1971-73
Consultant to the Council of Economic Advisors, 1970-73
Consultant to the Department of Transportation, 1973-74
Consultant to the Department of Transportation, 1981-83
Advisory Panel, The Synthetic Fuels Corporation, May 6-10, 1982
Task Force on Congressional and Regulatory Reform, House Republican Research Committee, October 1982
Member of the Department of Commerce Economic Advisory Board, 1971-73
Member of the Advisory Comm. for RAND of the Natl. Science Found.,1975-76

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

See attached

Books:
~~The Economics of the American Theater, (Durham, Duke University Press 196~~
Freight Transportation Regulation, (Washington, DC, The American ~~Enterprise Institute, 1972)~~
Public Claims on U.S. Output, co-authored with David Ott, et al., ~~(Washington, DC: The American Enterprise Institute, 1973)~~
Trucking Regulation: Lessons from Europe, (Washington, DC, The American ~~Enterprise Institute-Hoover Policy Study 18, 1976)~~
Uranium Enrichment and Public Policy, (Washington, DC, The American ~~Enterprise Institute-Hoover Policy Study, 1978)~~

Book Sections:
"The Philadelphia-Girard Decision: Some Further Comments," in the Administrator of National Banks, Studies in Banking Competition and the Banking Structure, United States Treasury, 1966, Washington, DC

"Comments," in Selected Structure and Allocation Problems in Regulated ~~Industries, Institute of Public Utilities, Occasional Paper No. 1,~~ East Lansing, MI, 1969

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years

Member of Gov. Reagan's Energy Policy Advisory Group, 1980.
Member of Gov. Reagan's Regulatory Policy Advisory Group, 1980.
Member of President-Elect Reagan's transition team on the Interstate Commerce Commission, 1980.
I have been a registered Republican for about eight years.

Published writings:

Books:

The Economics of the American Theater, (Durham, Duke University Press, 1968).
Freight Transportation Regulation, (Washington, D.C., The American Enterprise Institute, 1972).
Public Claims on U.S. Output, co-authored with David Ott, et. al., (Washington, D.C.: The American Enterprise Institute, 1973).
Trucking Regulation: Lessons From Europe, (Washington, D.C., The American Enterprise Institute-Hoover Policy Study 18, 1976).
Uranium Enrichment and Public Policy, (Washington, D.C., The American Enterprise Institute-Hoover Policy Study, 1978.

Book Sections:

"The Philadelphia-Girard Decision: Some Further Comments," in the Administrator of National Banks, Studies in Banking Competition and the Banking Structure, United States Treasury, 1966, Washington, D.C.
"Comments," in Selected Structure and Allocation Problems in Regulated Industries, Institute of Public Utilities, Occasional Paper No. 1, East Lansing, Michigan, 1969.
"The Oil Industry," in The Structure of American Industry, 4th Edition, edited by Walter Adams (New York, MacMillan, 1971).
Economic Policy and Inflation in the Sixties with Phillip Cagan, Martin Estey, William Felner, and Charles E. McLure, Jr., (Washington, D.C.: The American Enterprise Institute, 1972).
"Deregulating Surface Freight Transportation," in Promoting Competition in Regulated Markets, edited by Almarin Phillips (Washington, D.C., The Brookings Institution, 1975).
"Effects of Regulation on Electrical Power Companies," and "Government Ownership vs. Free-Market Competition," in Electric Power Reform: The Alternatives for Michigan, edited by W. H. Shaker (Institute of Science and Technology of the University of Michigan, 1976).
"The Amenities of Urban Life," in Selected Readings in Quantitative Urban Analysis, edited by Samuel J. Bernstein (Oxford, Pergamon Press, 1977).
"Horizontal Diversification by Oil Companies," in The Future of American Oil: The Experts Testify (American Petroleum Institute, 1976).
"Commentary" in Economic Effects of Government-Mandated Costs, edited by Robert F. Lanzillotti (Gainesville, University of Florida Press, 1978).
"Energy Options," in The United States in the 1980's, edited by Alvin Rabushka and Peter Dulgnan (Hoover Institution Press, 1980).
"Transportation," in Agenda for Progress, edited by Eugene J. McAllister, The Heritage Foundation, 1981.
"Die Wirtschaftspolitik der Reagan-Administration" Wirtschaftspolitik der achtziger Jahre, Leitbilder und Strategien, Otto Vogel (Hrsg.) (Deutscher Instituts-Verlag, 1982, Koln, West Germany)
"The Reagan Deregulation Program: An Assessment," in Reaganomics, A

Midterm Report, Institute for Contemporary Studies, 1983.
"Reagan's Regulatory Record," in Hoover Institution book, To Promote Prosperity: Domestic Policy in the Mid-80s, 1984.
"Deregulating Ground Transportation," New Opportunities for Entrepreneurship, Symposium 1983, ed. by Herbert Gierach, Institut fur Weltwirtschaft, Kiel, West Germany, (forthcoming) June 22-24, 1983.
"Agenda for Regulatory Reform," in Beyond the Status Quo: Policy Proposals for America, CATO Institute, 1985.
"Trucking and Rail Deregulation," Regulatory Reform, A Post Mortem, ed. Leonard W. Weiss & Mike Klass, (Boston: Little Brown, forthcoming).

Occasional Papers, Pamphlets, Bulletins, etc.:

U.S. Incomes Policy, Its Rationale and Development (Washington, D.C., The American Enterprise Institute, 1971).
Competition and Market Concentration in the American Economy with Paul W. McCracken (American Enterprise Institute, Reprint No. 25, 1973).
"Introduction" to Ross D. Eckert's California Transportation Planning: Examining the Entrails (International Institute for Economic Research, February, 1979), Original Paper 19.
"Comments on Aranson & Ordeshook's 'Regulation, Redistribution, and Public Choice,'" Public Choice, Carnegie Papers on Political Economy, Vol. 37, No. 1, 1981.
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Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

I have been a registered Republican for about eight years. I have occassionally contributed $100 to candidates for office. I have no record of to whom I have contributed. The only large contribution I made was to my wife's campaign for Palo Alto City Council in which I made a $1000 loan to the campaign.

Qualifications: State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

I plan to go on leave from Stanford University.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

Yes, the Hoover Institution.

3. Has anybody made you a commitment to a job after you leave government?

Yes, the Hoover Institution.

4. Do you expect to serve the full term for which you have been appointed?

My leave will be for two years. I will certainly stay for that period.

Qualifications:

Since I received my Ph.D. from the University of Chicago in 1961, I have been a professional academic economist. Most of my career has been devoted to teaching and to research dealing with issues of public policy. I have written extensively on government regulation, energy, transportation, and the environment.

After a brief stint as an international economicst at Chase Manhattan Bank, I began my academic career at the Graduate School of Industrial Administration at what was then Carnegie Institute of Technology and is now Carnegie Mellon University. In 1965 I was appointed an associate professor of economics at Michigan State University. In 1969 I was promoted to full professor. During these years I taught courses dealing with government and business, microeconomic theory, antitrust, government regulation, industrial organization, welfare economics, and macroeconomic theory. My teaching specialties were regulation, antitrust, and industrial organization. In 1974 I accepted a post at the Hoover Institution as a senior fellow, a position which enabled me to devote more time to research. Since moving to Hoover, however, I have taught courses at the Stanford Graduate School of Business and in the economics department at the University of California at Los Angeles.

Over my nearly twenty-five year career, I have authored four books and coauthored a fifth. My bibliography includes sixteen sections or chapters of books, twenty-six articles in professional journals, and assorted occasional papers, pamphlets and bulletins, as well as "op ed" pieces. Virtually all of these works have dealt with some aspect of public policy. The subjects covered include freight transportation, uranium enrichment, antitrust, the oil industry, electric power, the economics of the performing arts, supply-side economics, licensing of occupations, stock market margin requirements, dismissal pay, minimum wages, national health insurance, and airline deregulation. My most recent article, which deals with the effect of airline deregulation on passengers, capital, and labor, is scheduled for publication next year by the Journal of Law and Economics. A list of my publications is given above.

Between August, 1968, and September, 1970, I served as a senior staff economist at the Council of Economic Advisers, working on such policy issues as international aviation, uranium enrichment, control of sulfur oxides, antitrust, satellite communications competition, and surface transportation. Thus I have had extensive experience in Washington at the CEA dealing with policy issues.

After leaving the Council of Economic Advisers in 1970, I served as a consultant to CEA, the National Industrial Pollution Control Council of the Department of Commerce, the Office of Telecommunications Policy, and the Department of Transportation. I also served on an Advisory Panel to the Synthetic Fuels Corporation, as a member of the Department of Commerce Economic Advisory Board, as a member of the Advisory Committee for RAND of the National Science Foundation, and on the Task Force on Congressional and Regulatory Reform, House Repub-

lican Research Committee. Upon request, I have testified fifteen times before Congressional committees. The topics covered include minimum wages, regulatory reform, ICC regulation, and synthetic fuels policy. I have also testified frequently before other federal agencies and commissions and participated in conferences sponsored by the federal government.

In 1980 I served as a member of then Governor Reagan's Energy Policy Advisory Group and his Regulatory Policy Advisory Group. After the election I was appointed a member of President-Elect Reagan's transition team on the Interstate Commerce Commission.

Over the last ten years I have headed the Hoover Institution's program of domestic studies. As director, I have become familiar with much of the research and many of the scholars involved in public policy. The National Fellows Program has brought to Hoover a steady stream of the best young scholars working on public policy issues. In addition, the domestic studies program has hosted an impressive list of eminent scholars who have been in residence from a few months to a year. This group includes Nobel laureates Friedrich Hayek and George Stigler, as well as such renowned scholars as Gary Becker, Joseph Pechman, Joseph Stiglitz, Robert Barro, Rachel McCulloch, Walter E. Williams, and Theodore C. Bergstrom.

In summary, twenty-four years as a professional economist working on various public policy issues, experience at the Council of Economic Advisers and with other government agencies, including the Congress, and the directorship of the Hoover Institution's domestic studies programs has prepared me well to be a member of the President's Council of Economic Advisers. As a scholar who supports President Reagan's program strongly, I believe I am very well qualified to provide this administration with sound advice on the best way to further the President's goals.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

Except for my stock holdings which are listed below, I cannot see that there is any potential conflict of interest. Even for the stock holdings there would appear to be little problem since the holdings are all rather small and little of what the CEA does has any measurable impact on the stock value of any single company.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None.

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy. (See attached)

I have testified 15 times before Congressional committee with the the aim of influencing legislation or government policy. A list of such appearances is given below. I have also appeared before other government bodies - a list is given below. In addition I have served as a consultant and on advisory panels (See question Government experience, above).

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I don't believe that I face any potential conflict of interest. If any matter comes before the Council of Economic Advisers that would materially affect the value of any of the stocks that I own I would either excuse myself from considering the matter, sell the stock, or seek a waiver from the Chairman of the Council of Economic Advisers.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

none.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

none.

The CHAIRMAN. Thank you, Mr. Moore.

REFORMING THE FDIC SYSTEM

Various proposals have been made for reforming the Federal Deposit Insurance System. What are your views on risk-related premiums?

Mr. MOORE. I think that it is very important for us to move toward risk-related premiums because, under the current situation where the premiums are not related to risk, when a bank gets into trouble financially, or their equity effectively gets to zero, they are encouraged in fact to take high risks at the expense of the American taxpayer and at the expense of FDIC.

The CHAIRMAN. What about higher capital ratios for depository institutions?

Mr. MOORE. I support that as well. As you know, Secretary Baker testified yesterday in favor of higher capital ratios, and I think that is something that we should work toward.

The CHAIRMAN. How about use of subordinated debt to meet capital requirements?

Mr. MOORE. Mr. Chairman, I think I would really have to look into that. I am not sure what that involves.

The CHAIRMAN. Another area we have talked about is increased disclosure of information on the condition of individual depository institutions. Do you think that more disclosure would be helpful in this problem?

Mr. MOORE. Yes, more disclosure would definitely be very helpful.

The CHAIRMAN. Mr. Moore, you have written very extensively on regulation and deregulation of industry. Yesterday, Secretary Baker endorsed a modest expansion of powers of depository institutions and bank holding companies, and I am sure you are well aware of Senator Proxmire's and my support for that.

Some have been arguing that we have gone too far too fast and that we should reregulate. I certainly think we have gone very, very slowly over a period of 10 years. What are your views?

Do you think we should continue modest expansion of a removal of regulatory restrictions and further competition, or are you one of those that thinks that we need to reregulate?

Mr. MOORE. Anyone who has read my writings would know the answer to that question. Of course, I support your position that we should in fact move——

The CHAIRMAN. I wouldn't have asked you the question if I hadn't known the answer. [Laughter.]

Mr. MOORE. I support moving as fast as possible toward deregulating and permitting the banking system to move into other areas and to reduce geographic restrictions on banking.

VIEWS ON TRADE ISSUES

The CHAIRMAN. As you note in your statement, one of your responsibilities at the Council will be for analysis of trade issues. I believe, in working to reduce the Nation's large current account deficit, we should focus on expanding foreign markets for U.S. goods and services. And to this end I have worked very hard on

trying to secure national treatment for our finanicial institutions abroad. We have had a very difficult time in Australia, Korea, and other countries, and a very great unwillingness to allow national treatment of our banks within their countries.

What are your views of the export of services, and, in particular, financial services?

Mr. MOORE. Well, I think we should do everything we can to open up foreign markets to our services—financial services—and to work with the Australians, Japanese, and others to facilitate our financial institutions getting in there and competing. We are moving toward a worldwide financial market and I want to see the United States take the lead in opening up these markets.

The CHAIRMAN. As you also note in your statement, you will have responsibility at the Council for microeconomic issues. Unemployment, economic growth, and inflation are often thought of as macroeconomic issues, but I have always thought that they were largely determined by microeconomic policies.

What are your views as to how microeconomic policies can affect economywide issues such as unemployment, economic growth, and inflation?

Mr. MOORE. I would agree with you, Mr. Chairman, that microeconomic issues are key to economic growth. We should work to make our economy as competitive as possible and to remove the barriers to mobility, to labor shifting, regulatory constraints, all of these things which tend to reduce the rate of growth of our economy and therefore reduce employment. This is high on my agenda of what I want to do at the CEA.

The CHAIRMAN. Senator Proxmire.

Senator PROXMIRE. Thank you, Mr. Chairman.

Mr. Moore, you have an impressive background which qualifies you for the job of economic adviser. I am glad to see they are filling that position. It has been vacant for quite a while and the Council has not had a chance to do very much until recently when a new Chairman was appointed.

I want to also congratulate you on your birthday. You had a birthday on Tuesday, I understand. You were born on June 11, according to what I have here, unless you are not the Thomas Moore I have on this list. Is that wrong? [Laughter.]

Mr. MOORE. I don't know how——

Senator PROXMIRE. Date of birth, June 11. [Laughter.]

I won't say the year. [Laughter.]

Mr. MOORE. It should be November 6. [Laughter.]

Senator PROXMIRE. I hope the rest of this is more accurate. [Laughter.]

Am I wrong about that, Jake?

The CHAIRMAN. No, it is correct. It says day 6, 11th month and year.

Senator PROXMIRE. I am wrong. [Laughter.]

This is a terrible form. [Laughter.]

At any rate, you have written extensively. You have a background in industrial organization and antitrust? That is your specialty?

Mr. MOORE. Yes.

The CHAIRMAN. I can't resist in noting that this form was created under the former chairman of this committee and not under the present chairman. [Laughter.]

Senator PROXMIRE. Well, that shows the kind of mess that a staff will get you into. [Laughter.]

BANKS COVERED BY ANTITRUST LAWS

At any rate, you have written on antitrust, and particularly you have written on antitrust with respect to banking. I understand you wrote on the *Philadelphia Gerard* decision, which referred to whether or not banks should be covered by antitrust laws.

Mr. MOORE. Yes.

Senator PROXMIRE. And what is your conclusion?

Mr. MOORE. I think banking should be covered by the antitrust laws. As we move toward a less regulated banking system I think it is important that the antitrust laws——

Senator PROXMIRE. Isn't that a very, very feeble law restriction? See, you are in favor of interstate banking and I am very much against it. I am against it, opposed to it. I think this country is served well by terrific pluralism in banking. It is distinctive. We are the only country in the world that has it, as you know. Every other country has a very strong concentration. And 95 percent of their banking is done by five or six banks in England, Japan, France, and Canada, but not in this country.

In my own State I have noticed that the individually owned, locally owned, and community-owned banks, I think they are doing a remarkably good job. Everybody says our capital markets are the best in the world. Why do we want to change them?

Mr. MOORE. Well, Senator, I think that in my own State of California, for example, we have statewide banking and we do not have just a few banks dominating. We have lots of banks and lots of competition, and I believe that if we had full interstate banking, we would have a lot of competition. In fact, it would be a more competitive situation.

If the consumer wants to choose a locally owned bank, that is fine. If the consumer gets better served by one with branches nationwide, then that should be the consumer's choice and not the Government regulatory.

Senator PROXMIRE. Well, I won't dwell on this subject too long, but you know perfectly well that when you have Citibank against the First National Bank of Waterloo, WI, or the Farmers and Merchants Bank of Waterloo, WI there is not much of a contest. If Citibank wants to move in with a branch and provide higher interest rates for depositors and lower interest rates for those who want to borrow for a while and take a big loss, they can do it and they will do it, and that has been the story in so much of our small operations.

But let me get on to another subject. Do you favor the concentration limits in the House banking bill as supported by Chairman Volcker?

Mr. MOORE. I think they are too restrictive. I frankly would apply the normal antitrust standards that are applied in other

markets to banking. I see nothing special about banking as far as concentration and competition is concerned

Senator PROXMIRE. I can see a situation where we have one bank in Wisconsin and the chairman of the board sits in Tokyo. It is not impossible. I wouldn't want it, and I don't think the people in Wisconsin would want it, but it could happen. At any rate, the proposal, as I understand it, is that no merger can occur in the top 25 banks and no acquisitions of more than 2½ percent of the total bank deposits. What is the matter with that kind of a limitation? You can have two banks that are able to amass any kind of a big business operation or provide loans to countries and they can have enormous resources far bigger than they have now in many cases.

Mr. MOORE. We have to compete in a worldwide market, and so it is important to let the market determine what the appropriate size is of the banks are, as long we stay within standard antitrust guidelines.

Senator PROXMIRE. The antitrust has been so feeble in the automobile industry, for instance. Here you have three big companies that dominate completely and we have a fierce concentration.

Mr. MOORE. We have tremendous competition in the automobile industry. The Japanese are coming in and we have been hollering about the competition. You don't want to just consider U.S. firms. It is an international market and it is a highly competitive industry.

Senator PROXMIRE. Well, you would like to see an international banking market with the Japanese coming into banking and the French and the English and so forth.

The CHAIRMAN. They are already here.

Senator PROXMIRE. Yes, they are already here, but fortunately they are a very, very small factor, and I just feel that the local people who live in a particular community know the people they are lending to and know the community and I think they have done extremely well.

Let me ask, you consider yourself a micro- rather than a macroeconomist. That is, you are concerned primarily with the firm, rather than the economy as a whole; is that correct?

Mr. MOORE. The firm and the industry, yes.

Senator PROXMIRE. Would you classify yourself for us as a supply sider or as a classical economist or a monetarist or as an Keynesian? Since you are a University of Chicago man, I presume that you are probably a monetarist.

Mr. MOORE. Well, the terms monetarist, supply side or Keynesian refer to macroeconomic issue and not micro. To the extent that I am anything, I was trained at the University of Chicago, as you pointed out, and my colleague is Milton Friedman at the Hoover Institution and, therefore, I think that money is vitally important in determining inflation and in the short run in determining economic performance.

Senator PROXMIRE. You are a Friedmanite. Well, you are not being appointed to the Federal Reserve Board. So I guess that wouldn't disqualify you.

Well, thank you very much.

Thank you very much, Mr. Chairman. This is a fine nominee. He is well qualified and I will vote for him, but I disagree with him on almost every issue that has come up. [Laughter.]

The CHAIRMAN. I have to remind the Senator from Wisconsin that where a person went to school is meaningless as far as your political philosophy. You must remember that John Tower attended the London School of Economics. [Laughter.]

Senator PROXMIRE. The University of Chicago though is unique. You are going to have a pretty solid phalanx up there. [Laughter.]

The CHAIRMAN. You have got to admit though the London School of Economics had no effect on John Tower. [Laughter.]

Senator PROXMIRE. Well, nobody is perfect. [Laughter.]

The CHAIRMAN. Mr. Moore, I failed to ask you one of our boilerplate questions. Is there any organization with which you are affiliated that will cause any conflict of interest in your service as a member of the Council of Economic Advisers?

Mr. MOORE. None.

Senator PROXMIRE. Mr. Chairman, I do have one other question that I would like to ask because it is a question that has concerned me for a long time.

As I recall, you once testified, Mr. Moore against the Lockheed loan guarantee; is that correct?

Mr. MOORE. That is correct.

Senator PROXMIRE. In general do you oppose Government bailout of failing companies?

Mr. MOORE. Yes.

Senator PROXMIRE. Do you think the Chrysler bailout was good public policy?

Mr. MOORE. It worked out, but I, at the time, did not support it.

Senator PROXMIRE. Good for you. Well, I am delighted to find that you and I do agree on something after all. [Laughter.]

The CHAIRMAN. Now he will vote for you twice. [Laughter.]

Senator PROXMIRE. Let me finally ask to test your consistency, how do you feel about auto import quotas?

Mr. MOORE. I am against auto import quotas.

Senator PROXMIRE. No again. You are wrong on that, but you are right on the other. [Laughter.]

Senator PROXMIRE. Thank you, Mr. Chairman.

The CHAIRMAN. Gentlemen, I do apologize for the disjointed nature of this hearing, but Lee Verstandig will understand what happens when Congress or the Senate goes out of session. Normally airplanes start going all sorts of directions, and when we had scheduled your hearing I would have anticipated a much larger attendance among our members.

But I do appreciate your understanding and your patience with allowing the Senators to come in and out and I don't anticipate any difficulty with any of your nominations. I think all three of you are very well qualified. I certainly intend to support your nominations and look forward to working with each of you and we will expedite your nominations as rapidly as the committee can.

Thank you very much.

The committee is adjourned.

[Whereupon, at 10:30 a.m., the committee adjourned.]

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